### How is NJCA fighting predatory lending?

NJCA is working hard to make sure that borrowers do not fall victim to predatory lenders and home improvement scam artists. These are some of the ways NJCA can help:

NJCA's COMMUNITY REINVESTMENT CAMPAIGN—Citizen Action and the Citizen Policy and Education Fund (NJCA's research and education arm) negotiate Community Reinvestment Act (CRA) Agreements with many banks in NJ for below market rate mortgages, discounted home improvement loans, construction & permanent financing for non-profit affordable housing developers, & small business loans for women and minority owned businesses.

NJCA's LOAN COUNSELING SERVICE-Citizen Action is a HUD-certified loan counseling agency with 18 offices throughout the state. We provide one-on-one personal counseling sessions and help low & moderate income consumers repair their credit, get discounted mortgage products, and discounted home improvement loans. We also provide crisis counseling for homeowners facing foreclosure. To sign up for counseling, visit our website or contact 1-800-NJ-OWNER.

NJCA'S FINANCIAL EDUCATION PROJECT-NJCA'S Financial Education Project provides consumer education workshops on fair housing and predatory lending. We also offer training on basic banking, budgeting & money management, credit, housing, healthcare, & telecommunications/utility choices. Workshops and training are offered at off site settings and at our Financial Education and Technology Centers in Newark and Camden.

### What if I'm a victim of predatory lending?

If you or anyone you know has been victimized by lenders using any of the tactics mentioned in this pamphlet, or if you feel that you are a victim of housing discrimination, please call NJ Citizen Action at 973/643-8800.

New Jersey Citizen Action is the state's largest independent citizen watchdog coalition, representing 60,000 family members and more than 90 affiliated labor, tenant, senior, civic and community groups. Through organizing campaigns and education, NJCA fights for economic, social, racial and political justice. NJCA is a founding member of USAction, the nation's largest progressive activist organization.

NJ Citizen Action esta construyendo la coalición ciudana mas grande en el estado. Con mas de 60,000 miembros, y 90 organizaciones afilito dos nos afectan-vivienda decente a bajo costo, al inflación de seguros y precios de utilidades publicas, impuestos justos, empleo, tóxicos peligrosos, derechos humanos, y temas que afectan a la familia trabajadora de hoy.

## How can I get more information?

If you would like more information about NJCA or any of our campaigns, or to sign up for financial education workshops, please contact us:

### NJCA's Financial Education & Technology Centers:

Newark Center (North Jersey): 744 Broad Street, Suite 2080

Newark, NJ 07102

Phone: 973-643-8800

Camden Center (South Jersey):

One Port Center—2 Riverside Drive, 6th Floor

Camden, NJ 08103

Phone: 856-966-3091

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Homeowners & Homebuyers: Beware before you Borrow...

# WHAT YOU NEED TO KNOW ABOUT PREDATORY LENDING



www.njcitizenaction.org

# Protecting your American Dream



For many people, homeownership is a major part of the American dream. In fact, your house is likely to be your single greatest asset. Unfortunately for homeowners, predatory lenders are on the prowl, targeting unsuspecting consumers & often forcing them into high cost loans that could ultimately lead to foreclosure. In order to protect your dream, there are some important things you need to know, whether you are buying a house for the first time, refinancing your mortgage, or simply making improvements or repairs on your home.

# What is the difference between subprime and predatory lending?

Subprime lenders make loans to borrowers who have a less than perfect credit history. As a result, they charge higher rates and fees than banks (conventional lenders) to offset borrowers' credit problems. *Predatory lenders* systematically target individuals who are least able to pay back loans and who are most vulnerable to the abusive lending tactics listed on the next page.

### Who do predatory lenders target?

Although anyone can be a victim of abusive lending practices, research has shown that minorities, seniors, and low-income individuals are typically targeted by lending predators.

# What are some common predatory lending practices?

- Charging borrowers high loan fees, points or other charges upfront ("padding")
- Selling borrowers costly and unnecessary insurance policies upfront ("packing")
- Charging outrageous prepayment penalties
- Using hidden balloon payments (large payments midway or at the end of a loan)

- Charging high interest rates
- Repeatedly refinancing loans ("flipping")
- Using home improvement scams to lure borrowers into bad loans
- Knowingly lending to people who can't afford to make the loan payments

# What are home improvement scams?

Although the majority of home improvement contractors are honest people who provide homeowners with important services at fair prices, there are some contractors who are deceitful. In most home improvement scams, these contractors will overcharge consumers for work, urge them to have unnecessary repairs done, perform work that is shabby and below standard, and in some cases, will steer unsuspecting homeowners to high priced and often predatory lenders to finance improvements.

# How to protect yourself: Important Do's and Don'ts for Borrowers

- Don't deal with door-to-door or telephone solicitors for home loans or home improvements
- \* **Don't** use a lender or contractor who will not \* provide a written contract specifying all costs.
- \* **Don't** use unlicensed lenders or contractors.
- \* Don't sign any thing with blank lines or spaces.
- Don't be pressured into signing anything.
- Don't accept a promise that isn't in writing.
- \* **Don't** believe anyone who says you have no other options.

# **BORROWER, BEWARE!**

- \* Do know your rights as a consumer—contact NJCA for information on the Fair Housing Act, Community Reinvestment Act, Equal Credit Opportunity Act, Truth in Lending Act, NJ Home Ownership Security Act, & Home Mortgage Disclosure Act.
- Do get an independent home inspection and seek the help of a reputable attorney.
- \* **Do** make sure that the lender or contractor is licensed and check with the NJ Department of Banking (609-984-2777) or the Division of Consumer Affairs (1-800-242-5846) to see if any complaints have been filed against them.
- \* **Do** make sure you can afford to repay your loan. Even if the lender says you qualify, this doesn't mean you can afford the monthly payments.
- \* **Do** ask the contractor for references.
- \* **Do** shop around for the best offer.
- Do keep careful records and get signed & dated copies of everything from the lender
- \* Do read all documents carefully pay special attention to interest rates, fees, points, and terms and conditions of the loan. If you do not understand something, ask for an explanation you are paying for these services.
- Do ask the lender for a "Rescission Notice" (=Notice of Right to Cancel within 3 days)
- \* **Do** ask if you qualify for a less expensive loan before accepting a subprime mortgage product.
- Do beware of offers of debt consolidation- if lenders offer to pay off your credit card or medical bills with a home equity loan you can lose your home if you don't make payments.
- Do make sure your contractor gives you a start date and expected completion date in writing.
- \* **Do** get pre-loan counseling from a HUD-certified loan counseling agency.
- Do contact NJCA if you have any questions.

ALWAYS REMEMBER, IF IT SOUNDS TOO GOOD TO BE TRUE, IT PROBABLY IS!